

ARTICLE 19

SECTION 2

SECTION 1931(B) INCOME REGULATIONS

1. GENERAL

A family's countable income must be less than the 1931b income limit for that size family in order for the family to be income eligible for the 1931b Program. A family cannot be income eligible by meeting their share of cost since 1931b has no share of cost process. A family's income is determined by subtracting certain income deductions and exclusions from the family's gross income. If the family is not income eligible for 1931b, they must be evaluated for the MN Program or any other Medi-Cal Program for which they may be eligible.

Except for the differences described in this MPG section, the 1931b computation is similar to the MN Program computations for net nonexempt income.

2. APPLICANT/RECIPIENT

1931b deductions are based on whether the persons in the MFBU are considered **applicants** or **recipients**. An applicant must pass the income limit test in the month of application using applicant deductions. If the applicant passes the income limit test, then the family/individual is allowed the more generous recipient deductions beginning in the month, which follows the month of application. The recipient deductions will continue to be allowed in the future months which follow, as long as there is not a four-month break in the person's/family's eligibility to 1931b.

ACWDL
99-37

New Case

When evaluating for 1931b, a case becomes a **new case** (starting the month after 1931b eligibility ends) when a person/family:

- has submitted an application or reapplication for Medi-Cal; or
- is otherwise being evaluated for 1931b eligibility after a break in their 1931b eligibility.

Example: A family receiving 1931b fails to complete a redetermination and their case closes for failure to provide in January. In mid-February, they apply again for Medi-Cal. This is a **new case** in February and must be evaluated for applicant/recipient status.

The definitions below apply to **new cases** only.

A. Applicant

An **applicant** is a person/family who has submitted an application for Medi-Cal and who was not determined eligible for 1931b separately or as a CalWORKs recipient in any of the four months previous to the month of application. The applicant budget is

based on 100% of the federal poverty level (FPL). Families/persons whose net nonexempt income is at or below 100% of the FPL are income eligible for 1931b. When applying this budget method, use form 14-60 HHSA. No substitutions are permitted. The deductions allowed in this budget method are described below in this MPG section. The current FPLs are included in MPG Appendix 11-1-A.

B. Recipient

A **recipient** is a person/family who has been previously determined eligible for 1931b separately or as a CalWORKs recipient in one or more of the four months preceding their application for Medi-Cal (disregard any intervening Edwards months). If a new person is added to the recipient case, he/she will be treated as a recipient for purposes of evaluating his/her income. There are two alternatives for determining income eligibility for recipients. Alternative A has a 1931b income limit that allows a \$240 and ½ deduction for earned income. Alternative B is described under the applicant section above. When applying recipient budget alternative A, use form 14-61 HHSA. When applying recipient budget alternative B, use form 14-60 HHSA. No substitutions are permitted. See the deduction section below. The current income limits are included in MPG Appendix 11-1-A.

Example:

	Jan	Feb	Mar	Apr	May	Jun
CalWORKs	Yes					
Applicant?					No	Yes
Recipient?					Yes	No

1931b recipients are income eligible if they can meet the requirements of either of the two alternative income tests. The alternative A income test favors families with more earned income. The alternative B income test favors families with more unearned income. Sneede rules apply only after it is determined that the family does not pass the income limit test using either alternative.

3. DEDUCTIONS

A. Deductions for Both Budget Methods

1) \$240 Deduction

Certain kinds of income are considered to be disability-based income in 1931b. To apply this deduction, total the MFBU's nonexempt disability-based income and subtract the \$240 deduction. Disability-based income includes:

- Public Disability Payments, which include Social Security Administration Disability benefits (OASDI), Permanent Worker's Compensation, Veteran's Assistance (VA) benefits based on disability, and Railroad Retirement benefits based on disability, including dependent benefits.

ACWDL
02-44

ACWDL 03-36

- Private disability benefits paid to an individual by an insurer to which the beneficiary has paid premiums.

Two other kinds of income, Temporary Worker's Compensation and State Disability Insurance payments, will be treated as earned (not disability-based) income, pursuant to the mandates resulting from the Tinoco and Sawyer lawsuits.

Note: Any part of the \$240 deduction not applied to the disability income of applicants is NOT "carried over" and applied to earnings, as it is for recipients.

2) Dependent Care Deduction and Court Ordered Child Support

The dependent care deduction is applied to earned income only. The court ordered child/spousal support payment deduction applies to all categories of income: earned, unearned and disability-based income. The same verification rules apply as with the MN Program.

The dependent care deduction is subtracted from the MFBU's earned income after the \$240 and $\frac{1}{2}$ deduction has been applied. After the subtraction of the dependent care deduction, add the earned income remainder of the MFBU to the MFBU's previously computed disability-based and unearned income remainders and then subtract, if applicable, the court ordered child/spousal support deduction. The income remainder of the MFBU after this step will be the net nonexempt income of the MFBU.

B. Recipient Alternative A Deductions

1) \$240 and $\frac{1}{2}$ Deduction

This deduction is applied to earned income, including Temporary Workers Compensation and State Disability Insurance income. This deduction is made up of two parts: a fixed amount of either \$240 or \$120 plus $\frac{1}{2}$ of the remaining amount.

- a) To apply this deduction to cases with no more than two persons with income:

- (1) Total the MFBU's nonexempt disability-based income and subtract the \$240 deduction.
- (2) Total the MFBU's nonexempt earned income and subtract the unused portion of the \$240 deduction (if any).
- (3) Decrease any remaining earned income by $\frac{1}{2}$.

- b) To apply this deduction to an MFBU with three or more persons with earnings:

- (1) Total the MFBU's nonexempt disability-based income and subtract the \$240 deduction.

ACWDLs
98-43
00-04

- (2) Total the earned income of the two persons with the highest earned income and subtract the unused portion of the \$240 deduction.
- (3) Subtract \$120 from the nonexempt earned income of the person with the third highest earned income, then subtract \$120 from the nonexempt earned income of the person with the fourth highest income and so on. The \$120 deduction does not apply to the income of the two persons in the MFBU with the highest earned income nor does it apply to disability income.
- (4) Total the remaining earned income of all persons in the MFBU and decrease the total by ½.
- (5) Use the worksheet titled "SECTION 1931 (b) PROGRAM WORKSHEET: APPLYING THE \$240 & ½ DEDUCTION TO **RECIPIENT METHOD "A"** FAMILIES WITH THREE OR MORE PERSONS WITH EARNINGS, SDI or Sawyer TWC." Form 14-62 HHSA.

C. Applicant/Recipient Alternative B Deduction

\$90 Work Related Expense

The \$90 work related expense deduction is applied to the nonexempt earned income in the alternative B budget method (each MFBU member with earned income is eligible for this deduction).

D. Health Insurance Premium Deduction

Unlike other Medi-Cal programs, there is no health insurance premium deduction.

E. Aged, Blind and Disabled (ABD) Deductions

Income deductions that are applicable only to ABD-MN persons are not applicable to 1931b.

4. SELF-EMPLOYMENT INCOME EXCLUSION

Persons with self-employment income may choose one of two income exclusion methods to be applied to the MFBU's self-employment income. The method chosen applies to the entire MFBU. The two methods cannot be simultaneously applied to the same MFBU even though the MFBU has two or more persons with self-employment income.

Once a method is chosen, it cannot be changed until the next redetermination or passage of six months, whichever comes first. ETs are not required to advise the beneficiary as to what method is more advantageous, just that the two methods are an option. The choice must be obtained from the beneficiary in writing, and upon receipt, apply the appropriate deduction as shown below.

Except as modified in this MPG section, methods for determining self-employment income as described in the MPG Article 10, Section 5, Item 5 are to be followed. The two methods of determining self-employment business expenses are:

- A. A deduction of each self-employed person's actual allowable (per Internal Revenue Service laws) business expenses from his/her self-employment income. These expenses must be verified per current Medi-Cal procedures described in MPG Article 10, Section 5, Item 5 except that for 1931(b), principal and interest payments for the purchase of capital assets or durable goods is an allowable deduction; or
- B. A deduction of 40% from the MFBU's total self-employment income (in lieu of the actual business expense deductions). No verification of business expense is necessary.

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5. DETERMINING NET NONEXEMPT INCOME AND INCOME ELIGIBILITY

The method for calculating 1931b net nonexempt income and determining eligibility of an MFBU is essentially the same as that used in determining the net nonexempt income of an MFBU under the MN Program, except that several of the income disregards are different. Application of income disregards shall not result in a negative balance. Budget examples are included in MPG Appendix 19-4-B.

6. TREATMENT OF INCOME

Income is treated the same as for the MN Program except as described below;

A. Net Income from Property

- 1) MPG Article 10, Section 5, Item 4 (Room and Board/Roommates), which describes three methods for calculating income from monies received for housing non-family members in the beneficiary's home, does not apply.
- 2) If the income is from the rental of rooms in a house or other dwelling or from the rental of two or fewer attached or unattached dwelling units, either of which are on property that is exempt as the person's principal residence, and the person is living in a portion of the property, the expenses are determined and prorated per MPG Article 10, Section 5, Item 3.D.
- 3) If the income is from the rental of three or more units of a multiple unit dwelling (such as an apartment complex that is exempt because the person is residing in one of the units as his/her principal residence), only those expenses as determined per MPG Article 10, Section 5, Item 3.D., which are common to the property as a whole and which arise from that portion of the multiple unit dwelling which is not exempt as a person's residence, is allowed for the purposes of determining net income from property. The allowable expenses are computed by multiplying expenses common to the property as a whole by the ratio produced by dividing the number of non-exempt dwelling units in the complex by the number of total units in the complex.

B. In-Kind Income

The in-kind income levels used to compute income for Section 1931(b) are provided in MPG Appendix. 11-1-A

- 1) Any in-kind income, whether a full or partial item of need, is neither counted as income nor as in-kind income if it is provided and funded:
 - a) on the basis of need; and
 - b) by a private, nonprofit organization; and
 - c) as part of a program of general applicability for needy persons administered by such organization.
- 2) Assistance provided by Voluntary Resettlement agencies (VOLAG) as part of their resettlement responsibilities is considered in-kind income if the assistance is for a full item of need and provided as in-kind.

C. California Franchise Tax Board Payments

The following payments or funds received from the California Franchise Tax Board shall be exempt:

- 1) Renters Credits payments;
- 2) Payments under the Senior Citizens Homeowners and Renters Property Assistance Program (for persons who are blind, disabled or 62 years of age or older); and
- 3) Payments under the Senior Citizens Tax Postponement Program for persons who are 62 years of age or older.

D. Social Services

- 1) Payments received for social services, provided in accordance with Title XX of the Social Security Act, are exempt to the extent actually utilized for the purpose that qualifies the payment for exemption (this does not include income earned by a provider of these services). Such services include:
 - a) In-Home Support Services
 - b) Child Care
 - c) Training and rehabilitation services, including payment for training expenses.
- 2) Payments for social services not described above are exempt to the extent actually utilized for the purpose that qualifies the payment for exemption, if they are paid for social services recognized by the Medi-Cal Program and if such payments address a recognized, verified substantial need of the individual. The exemption does not

apply to any portion of such payment which, when added to the person's other income, is in excess of the need standard used by the payor in determining the payment. Payments for services recognized by the Medi-Cal Program, in addition to the payments for social services made under Title XX of the Social Security Act, include:

- a) Social service payments made under Title IV-B and Title V of the Social Security Act.
 - b) Social service payments made under the Rehabilitation Act of 1973.
 - c) Rent supplements paid under the Federal Housing Act of 1965.
- 3) Payments for educational, training, or income maintenance purposes, or to provide subsistence needs or social amenities are not social services for the purposes of this section.

E. Exempt Loans, Grants, Scholarships and Fellowships

School loans, grants, scholarships and fellowships listed in MPG Section 10, Article 3, Item 2.L are exempt to the extent that they are used for their intended purpose.

F. Other Exempt Income

- 1) Independent Living Program Payments– Payments earned by a person 16 years of age or older due to participation in the Independent Living Program (ILP) are exempt when received as part of the ILP written transitional independent living plan.
- 2) Radiation Exposure Payments– Payments made under the section 6(h)(2) of the Public Law 101-426, the Radiation Exposure Compensation Act, to persons with injuries or impairments arising from their exposure to radiation.
- 3) Agent Orange Payments– Payments made on or after January 1, 1989 from the Agent Orange Settlements Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation M.D.L. No. 381 (E.D.N.Y.) Public Law 1001-201. And section 10405 of Public Law 101-239.
- 4) Federal Payments to Persons of Japanese Ancestry– Payments made by the United States Government under Public Law 100-383 to citizens or permanent resident aliens of the United States with Japanese ancestry.
- 5) CalWORKs diversion payments. Identified by aid codes 3J, 3K, 3X and 3Y.
- 6) Special Needs Deduction– Any payment from the CalWORKs Program to meet the "special needs" of a person or family. The various special needs payments can be identified by the use of specific BICs. Refer to the CDS codebook for these BICs.

- 7) The income of a family member who is in LTC is not used to determine 1931b eligibility; however, any allocation from the LTC spouse to a 1931b or potential 1931b family member is included in the 1931b budget.